

Coffee Updates

Brazil

Brazil's government and coffee industry officials have raised the volume limit at the official coffee auctions to 80,000 bags.

Brazil: Auctions of Government-Owned Coffee Stocks			
Date of Auction	Quantity Offered	Quantity Sold	Price Range
	60-kilogram bags		Brazil reais/bag
2004			
May 18*	200,000	155,973	201.75-207.60
May 26	200,000	197,659	209.88-214.08
June 2	80,000	77,890	133.00-136.00
June 2	200,000	200,000	241.20
June 15	80,000	75,069	161.00-170.50
July 1	80,000	79,551	150.50-158.70
August 4	40,000	39,849	147.50-161.30
August 25	40,000	39,990	146.00-158.50

*First auction from the 980,000 bags Brazil's government bought last year from producers via options contracts.

United States

U.S. Government Still Taking Steps to Announce Its Intention to Rejoin the ICO

At its May meeting, the International Coffee Organization (ICO) made Resolution 407 completely voluntary, and issued a statement that health, safety, environment, and similar issues should not be subject to International Coffee Agreement (ICA) dispute procedures. Resolution 407 attempted to improve the quality of members' coffee production by setting recommendations that members were required to implement. With the resolution of some of these outstanding issues, it is reported that the United States will announce its intention to become a member of the ICO at its meeting in September 2004.

U.S. coffee stocks at the end of July 2004 totaled 6.0 million bags, down 105,898 bags from the June 30, 2004, level. Details follow in 60-kilogram bags.

U.S. Coffee Stocks

Location	June 30	July 31	Difference
-----60-kilogram bags-----			
New York	2,184,286	2,220,102	35,816
New Orleans	1,722,810	1,648,183	(74,627)
Jacksonville	161,537	151,000	(10,537)
Miami	1,194,466	1,152,597	(41,869)
Houston	376,625	363,429	(13,196)
Laredo	96,460	83,506	(12,954)
Port Everglades	0	0	0
San Francisco	347,859	356,495	8,636
Los Angeles	2,570	2,570	0
Seattle	0	0	0
Norfolk	17,728	21,172	3,444
Philadelphia	5,658	5,047	(611)
Baltimore	0	0	0
Total	6,109,999	6,004,101	(105,898)

Korea

The following information is from a product brief report on the Korean coffee market.

This report can be found on the FAS web site at:

<http://www.fas.usda.gov/scripts/attacherep/default.asp>

The Korean coffee market is estimated at close to \$1 billion in 2003, with instant coffee representing 95 percent of total sales and roasted coffee taking the remaining share.

Table 1. Coffee Sales by Type: 2000-2002			
	(\$ Million)		
	2000	2001	2002
Instant Coffee	\$260	\$227	\$210
Coffee Mix	200	214	275
Canned Coffee	150	171	213
Roasted/Ground Coffee	41	36	35
Total	\$651	\$648	\$733
Source: Nielsen Data: Food Distribution Yearbook, 2003			

Korea imported \$93 million of coffee in 2003, including unroasted and roasted beans and instant coffee. Unroasted coffee beans, representing 76 percent of the total import value, were imported mainly from Vietnam, Honduras, Colombia, and Brazil. Roasted coffee

bean imports, valued at \$7.1 million in 2003, declined 4 percent from 2002, but otherwise have showed fairly steady growth. The United States holds a 61-percent market share of total roasted coffee bean imports. Despite the decline in total imports, the U.S. market share increased 2 percent over 2002. Italy and other EU countries are the major competitors.

Instant coffee imports grew significantly in 2003 to \$15 million, an increase of 138 percent from the previous year as the economic slowdown shifted consumer preferences. As a result, convenient and less expensive instant coffee is getting more popular than the higher priced, fresh-bean coffee. The U.S. market share, at 27 percent for 2003, is also growing. Japan, the second-largest exporter, had a 19-percent market share. Other competitors include China, Brazil, and Egypt.

Retail Food Sector

Koreans tend to prefer instant coffee at home for its convenience and, as a result, 90 percent of coffee purchased in retail outlets is instant. Retail sales of instant coffee reached 616.2 billion Korean Won (US\$531 million) in 2003, an increase of 11 percent from the previous year and an increase of 20 percent from 2001. Maxim and Taster's Choice are the two leading brands sold in grocery stores, hypermarkets, department stores, and roadside retail outlets. In addition, a new individually wrapped "stick type" instant coffee product, called "3-in-1 instant coffee mix," has become increasingly popular. The product contains instant coffee, sugar, and creamer all in one package. To meet the South Koreans' particular tastes and desire for variety, manufacturers are constantly renewing their instant coffee products, as well as their instant coffee mix products, by adding new flavors to existing lines. In 2003, Nestlé, for example, introduced Nescafé Gold Mocha Instant Coffee Mix, which is now popular among younger coffee drinkers. Overall, instant coffee sales grew 12 percent in 2003.

Decaffeinated coffee is not very popular in Korea. In a survey done by Taster's Choice, less than 10 percent of polled coffee drinkers stated a preference for decaffeinated coffee. Although interest in health is high, few people drink decaffeinated coffee, preferring instead to switch to green tea. This is attributable to limited promotion and advertising of the benefits of decaffeinated drinks. It is not surprising, therefore, that only a few decaffeinated brands are available locally.

The coffee industry in Korea has a relatively short history. Korea did not manufacture or legally import coffee beans until 1968 when the government gave a coffee-manufacturing license to Dongsuh Foods Co., Ltd. From 1970 until 1989, when Nestlé Korea was established, Dongsuh had monopolized local coffee production with its Maxwell House brand (manufactured under a license from Philip Morris Co., Inc.).